



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: January 27, 2009

TO: Mayor and Councilmembers

FROM: Treasury Division, Finance Department

SUBJECT: December 31, 2008, Investment Report And December 31, 2008, Fiscal Agent Report

RECOMMENDATION: That Council:

- A. Accept the December 31, 2008, Investment Report; and
- B. Accept the December 31, 2008, Fiscal Agent Report.

DISCUSSION:

The City's investment reporting schedule requires staff to submit a report on the City portfolio on a quarterly basis. Therefore, this report will cover investment activity for October through December, 2008.

Plummeting home values, deteriorating labor market conditions, scarce credit, and continued difficulties in the finance and automotive industries, plagued financial markets during the fourth quarter. Governments and central banks in the U.S. and abroad responded to the ongoing financial crisis in unprecedented fashion.

The Emergency Economic Stabilization Act of 2008 was signed into law by President Bush in early October. The act authorized the Troubled Asset Relief Program (TARP), a \$700 billion rescue package intended to stabilize the nation's credit markets. By the end of the quarter, about half the TARP funds had been used to inject capital into banks.

The Federal Reserve continued to aggressively cut their key interest rate. By quarter-end, the U.S. Federal Reserve Bank's Open Market Committee effectively lowered the target federal funds rate to 0 percent, where the 25 basis point rate is seen as a ceiling rather than a target. The Fed indicated that rates will remain at exceptionally low levels for some time. The central bank

Date	Fed Funds Rate		Discount Rate	
	Change	New Level	Change	New Level
12/11/07	-0.25	4.25	-0.25	4.75
01/22/08	-0.75	3.50	-0.75	4.00
01/30/08	-0.50	3.00	-0.50	3.50
03/16/08			-0.25	3.25
03/18/08	-0.75	2.25	-0.75	2.50
04/30/08	-0.25	2.00	-0.25	2.25
10/08/08	-0.50	1.50	-0.50	1.75
10/29/08	-0.50	1.00	-0.50	1.25
12/16/08	-1.00 to -0.75	0.00-0.25	-0.75	0.50

also reaffirmed using its balance sheet "to further support credit markets and economic activity" and reassured that it will "purchase large quantities of agency debt and MBS" which aims to improve conditions in the mortgage and housing markets.

Council Agenda Report

December 31, 2008, Investment Report And December 31, 2008, Fiscal Agent Report

January 27, 2009

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The National Bureau of Economic Research officially stated on December 1st that the U.S. has been in a recession since December 2007. Consumer confidence fell to an all-time low, amid worries of job losses and falling incomes. The unemployment rate rose during the fourth quarter, to a sixteen year high of 7.2%.

During the volatile quarter, investors flocked to the safety of U.S. Treasuries. As seen in the table below, yields plunged in both the short and long ends of the yield curve.

U.S. Treasury Market					
	9/30/2008	10/31/2008	11/30/2008	12/31/2008	Cumulative Change
3 Month	0.90%	0.38%	0.04%	0.01%	-0.89%
6 Month	1.60%	0.95%	0.42%	0.26%	-1.34%
1 Year	1.79%	1.31%	0.90%	0.34%	-1.45%
2 Year	1.96%	1.56%	0.98%	0.76%	-1.20%
3 Year	2.27%	1.81%	1.26%	0.97%	-1.30%
4 Year	2.63%	2.32%	1.59%	1.26%	-1.37%
5 Year	2.98%	2.83%	1.91%	1.55%	-1.43%
10 Year	3.83%	3.97%	2.92%	2.21%	-1.62%
30 Year	4.31%	4.33%	3.44%	2.68%	-1.63%
LAIF	2.77%	2.71%	2.57%	2.35%	-0.42%

Investment Activity

As shown in the table below, the City invested \$6 million during the quarter. \$4 million in purchases consisted of "AAA" rated Federal Agency securities, of which \$2 million is callable, and \$2 million is non-callable. A \$2 million unrated certificate of deposit from Montecito Bank & Trust was renewed for one year. \$4 million of "AAA" rated Federal Agency securities were called during the quarter, and maturities for the quarter totaled \$11 million. The rate at which the City earned interest at LAIF was 2.54% for the

Issuer	Face Amount	Purchase Date	Final Maturity	Call Date	Yield To Call	Yield To Maturity
<i>Purchases:</i>						
Federal Home Loan Bank (FHLB)	\$ 2,000,000	10/01/08	03/30/09	-	-	3.520%
Federal Home Loan Bank (FHLB)	2,000,000	10/15/08	07/15/11	07/15/09	4.000%	4.002%
CD - Montecito Bank & Trust	2,000,000	11/18/08	11/18/09	-	-	2.500%
<i>Total Purchases</i>	\$ 6,000,000					
<i>Calls:</i>						
Federal Home Loan Bank (FHLB)	\$ 2,000,000	05/10/07	11/10/10	11/10/08	5.125%	5.125%
Federal Home Loan Mortgage Corp (FHLMC)	2,000,000	11/30/06	11/14/11	11/14/08	5.116%	5.250%
<i>Total Calls</i>	\$ 4,000,000					
<i>Maturities:</i>						
Federal National Mortgage Assn (FNMA)	\$ 2,000,000	05/21/07	11/03/08	-	-	5.100%
CD - Montecito Bank & Trust	2,000,000	11/18/06	11/18/08	-	-	5.000%
Federal Home Loan Bank (FHLB)	1,000,000	06/02/06	12/12/08	-	-	5.270%
Federal Home Loan Bank (FHLB)	2,000,000	12/06/06	12/12/08	-	-	4.700%
Toyota Motor Credit	2,000,000	02/28/06	12/15/08	-	-	5.016%
Federal Farm Credit Bank (FFCB)	2,000,000	08/28/06	12/17/08	-	-	5.170%
<i>Total Maturities</i>	\$ 11,000,000					

quarter ending December 31, 2008. Staff expects to continue to reinvest a portion of the City's LAIF balances in short-term securities during the next quarter. With current Fed Funds rate levels remaining low, coupled with further uncertainty in the markets, the reinvestment rate on the City's securities will be considerably lower than those securities that have been called or matured.

Summary of Cash and Investments

During the quarter, the City's book rate of return decreased by 42.8 basis points, from 4.466% at September 30, 2008 to 4.038% at December 31, 2008. The average days to maturity decreased from 578 to 471.

Mo. Ended	Yield	Days to Maturity
9/30/2008	4.466%	578
10/31/2008	4.421%	547
11/30/2008	4.286%	511
12/31/2008	4.038%	471

Credit Quality on Corporate Notes

The table on the following page summarizes the credit ratings on corporate securities held in the City's portfolio. There have been credit quality changes to two corporate issuers as detailed below.

Standard and Poor's (S&P) initially placed Wells Fargo under credit watch in October, following their acquisition of Wachovia. On December 19th, S&P downgraded the credit ratings and outlooks of 12 major U.S. and European banks, including Wells Fargo. The downgrades stemmed from S&P's concerns related to the increased risk to the banking industry, along with the deepening economic slowdown. Wells Fargo corporate notes were subsequently downgraded by one notch from "AA+" to "AA." The last credit ratings change to Wells Fargo occurred in November of 2006, when S&P had upgraded their ratings from "AA" to "AA+." There is still a possibility of a downgrade by Moody's Investors Service (Moody's), from "Aa1" to "Aa1-," although this has not happened as of December 31st. The City currently holds \$4 million in Wells Fargo notes, which in total represent 2.36% of the portfolio.

Moody's also placed Toyota Motor Corporation under review for a possible downgrade, from "Aaa" to "Aaa-." Toyota had been the only automaker with top Triple-A ratings from both S&P and Moody's. Vehicle sales have plunged as consumer access to credit has deteriorated, and the global economic slowdown has led to decreased demand in both developed and emerging markets. As of December 31st, S&P still maintained their "AAA" ratings on Toyota. The City currently holds a \$2 million Toyota Motor Credit Corporation note, representing 1.18% of the portfolio.

Per the City's Investment Policy, Section VII.A.5, investments in any one "AA" rated corporate issuer is limited to no more than 5% of the portfolio, and investments in any one "A" rated issuer is limited to 3% of the portfolio. Also per the Policy, if the quality rating of the issuer is downgraded, subsequent to purchase, below "A," or its equivalent, it shall be reported to Finance Committee and City Council with a recommendation, and ongoing information shall be provided if the bond is not sold. The Toyota and Wells

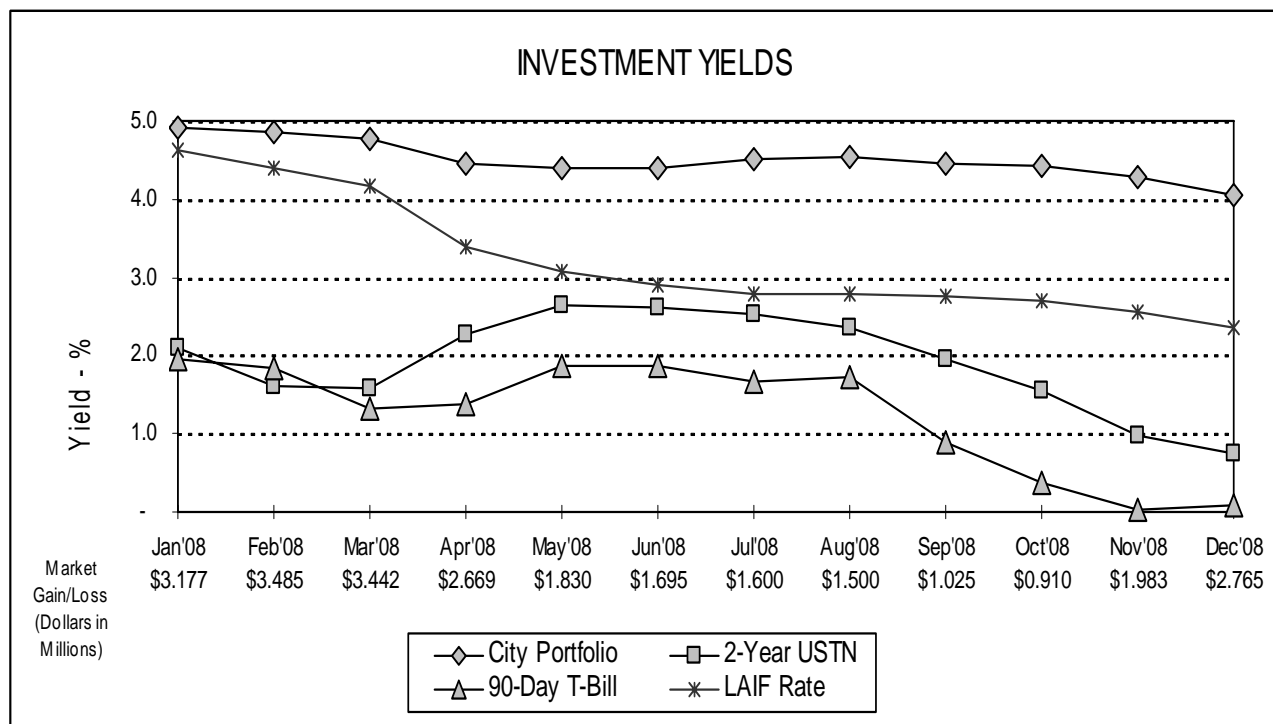
notes are well within the City's credit guidelines, as well as State Government Code, but staff will continue to monitor for any further changes to quality ratings.

ISSUER	PURCHASE DATE	MATURITY DATE	QUALITY RATING at PURCHASE		QUALITY RATING AS OF 12/31/08	
			MOODY'S	S & P	MOODY'S	S & P
BERKSHIRE HATHAWAY FIN	01/15/08	01/15/10	Aaa	AAA	Aaa	AAA
GENERAL ELECTRIC CAPITAL CORP	04/17/07	06/15/09	Aaa	AAA	Aaa	AAA
GENERAL ELECTRIC CAPITAL CORP	02/10/06	06/15/09	Aaa	AAA	Aaa	AAA
GENERAL ELECTRIC CAPITAL CORP	08/15/06	09/15/09	Aaa	AAA	Aaa	AAA
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aaa	AAA	Aaa	AAA
TOYOTA MOTOR CREDIT	10/19/06	03/15/10	Aaa	AAA	Aaa/*-	AAA
WELLS FARGO & CO.	10/10/06	08/09/10	Aa1	AA	Aa1/*-	AA
WELLS FARGO & CO.	05/30/07	01/12/11	Aa1	AA+	Aa1/*-	AA

* - (downgrade possible)

Portfolio Market Gains/Losses

As shown on the Investment Yields graph below, the City's portfolio reflected an unrealized market gain on December 31st. The market value of the portfolio increased steadily during the quarter due to the declining interest rate environment.



Those securities with a market loss of 3% and/or the five securities with the largest percentage of unrealized losses are typically reported in the table below. However, due to the decrease in market yields, none of the securities in the City's portfolio have an unrealized loss as of December 31, 2008.

Issuer	Face Amount	Maturity	\$ Mkt Loss	% Mkt Loss
There are no securities with an unrealized market loss.				

Additional Reporting Requirements

The following confirmations are made pursuant to California Code Sections 53600 et seq.: (1) the City's portfolio as of December 31, 2008 is in compliance with the City's Statement of Investment Policy; and (2) there are sufficient funds available to meet the City's expenditure requirements for the next six months.

Fiscal Agent Investments

In addition to reporting requirements for public agency portfolios, a description of any of the agency's investments under the management of contracted parties is also required on a quarterly basis. Attachment 2 includes bond funds and the police and fire service retirement fund as of December 31, 2008.

ATTACHMENTS: 1. December 31, 2008, Investment Report
2. December 31, 2008, Fiscal Agent Report

SUBMITTED BY: Robert Peirson, Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Activity and Interest Report
December 31, 2008

INVESTMENT ACTIVITY

PURCHASES OR DEPOSITS

12/01	LAIF Deposit/City	\$ 1,000,000
12/12	LAIF Deposit/City	3,500,000
12/15	LAIF Deposit/City	2,000,000
12/16	LAIF Deposit/City	1,500,000
12/22	LAIF Deposit/City	1,000,000
12/23	LAIF Deposit/City	8,000,000
12/23	LAIF Deposit/RDA	7,500,000
12/30	LAIF Deposit/City	2,500,000
	Total	\$ 27,000,000

SALES, MATURITIES, CALLS OR WITHDRAWALS

12/04	LAIF Withdrawal/City	\$ (2,500,000)
12/05	LAIF Withdrawal/City	(1,500,000)
12/10	LAIF Withdrawal/City	(1,200,000)
12/12	Federal Home Loan Bank (FHLB) Maturity	(1,000,000)
12/12	Federal Home Loan Bank (FHLB) Maturity	(2,000,000)
12/15	Toyota Motor Credit Maturity	(2,000,000)
12/17	Federal Farm Credit Bank (FFCB) Maturity	(2,000,000)
12/18	LAIF Withdrawal/City	(4,000,000)
12/31	LAIF Withdrawal/City	(2,400,000)
	Total	\$ (18,600,000)

ACTIVITY TOTAL	\$ 8,400,000
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INTEREST REVENUE

POOLED INVESTMENTS

Interest Earned on Investments	\$ 499,238
Amortization	24,740
SBB&T Sweep Account Interest	60
SBB&T Trust Account M/M Interest	289
Total	\$ 524,328

RDA INVESTMENTS

Interest Earned on Investments (LAIF)	\$ 37,725
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TOTAL INTEREST EARNED	\$ 562,053
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CITY OF SANTA BARBARA
Summary of Cash and Investments
December 31, 2008

ENDING BALANCE AS OF NOVEMBER 30, 2008

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 33,200,000	2.568%	20.65%	1
Certificates of Deposit	2,000,000	2.500%	1.24%	352
Treasury Securities - Coupon	3,993,184	4.751%	2.48%	121
Federal Agency Issues - Coupon	96,569,412	4.603%	60.06%	758
Corporate/Medium Term Notes	17,222,954	4.921%	10.71%	433
SB Airport Promissory Note	7,800,000	6.500%	4.85%	31
Totals and Averages	\$ 160,785,550	4.286%	100.00%	511
SBB&T Money Market Account	2,648,562			
Total Cash and Investments	\$ 163,434,112			

NET CASH AND INVESTMENT ACTIVITY FOR DECEMBER 2008 **\$ 7,533,180**

ENDING BALANCE AS OF DECEMBER 31, 2008

Description	Book Value	Yield to Maturity (365 days)	Percent of Portfolio	Average Days to Maturity
State of California LAIF	\$ 48,600,000	2.353%	28.72%	1 (1)
Certificates of Deposit	2,000,000	2.500%	1.18%	321
Treasury Securities - Coupon	3,995,736	4.751%	2.36%	90
Federal Agency Issues - Coupon	91,587,246	4.581%	54.13%	767
Corporate/Medium Term Notes	15,227,309	4.909%	9.00%	457
SB Airport Promissory Note	7,800,000	6.500%	4.61%	180
Totals and Averages	\$ 169,210,290	4.038%	100.00%	471
SBB&T Money Market Account	1,757,001			
Total Cash and Investments	\$ 170,967,292			

Note:

(1) The average life of the LAIF portfolio as of December 31, 2008 is 223 days.

CITY OF SANTA BARBARA
Investment Portfolio
December 31, 2008

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
LOCAL AGENCY INVESTMENT FUNDS											
LOCAL AGENCY INVESTMENT FUND	-	-	-	-	2.353	2.353	24,400,000.00	24,400,000.00	24,400,000.00	0.00	
LOCAL AGENCY INV FUND/RDA	-	-	-	-	2.353	2.353	24,200,000.00	24,200,000.00	24,200,000.00	0.00	
Subtotal, LAIF							48,600,000.00	48,600,000.00	48,600,000.00	0.00	
CERTIFICATES OF DEPOSIT											
MONTECITO BANK & TRUST	11/18/08	11/18/09	-	-	2.500	2.500	2,000,000.00	2,000,000.00	2,000,000.00	0.00	
Subtotal, Certificates of deposit							2,000,000.00	2,000,000.00	2,000,000.00	0.00	
TREASURY SECURITIES - COUPON											
U S TREASURY NOTE	05/19/06	05/15/09	Aaa	AAA	4.875	5.000	2,000,000.00	1,999,156.39	2,034,920.00	35,763.61	
U S TREASURY NOTE	02/01/06	02/15/09	Aaa	AAA	3.000	4.501	2,000,000.00	1,996,579.39	2,007,190.00	10,610.61	
Subtotal, Treasury Securities							4,000,000.00	3,995,735.78	4,042,110.00	46,374.22	
FEDERAL AGENCY ISSUES - COUPON											
FEDERAL FARM CREDIT BANK	03/07/06	04/15/09	Aaa	AAA	4.125	5.000	2,000,000.00	1,995,361.86	2,021,880.00	26,518.14	
FEDERAL FARM CREDIT BANK	08/17/06	08/17/09	Aaa	AAA	5.125	5.150	2,000,000.00	1,999,711.22	2,057,810.00	58,098.78	
FEDERAL FARM CREDIT BANK	11/07/06	01/18/11	Aaa	AAA	5.750	5.000	2,000,000.00	2,027,304.61	2,182,190.00	154,885.39	
FEDERAL FARM CREDIT BANK	06/02/06	02/18/09	Aaa	AAA	5.260	5.280	2,000,000.00	1,999,957.62	2,012,500.00	12,542.38	
FEDERAL FARM CREDIT BANK	01/29/07	08/25/10	Aaa	AAA	4.750	5.111	2,000,000.00	1,989,200.84	2,122,820.00	133,619.16	
FEDERAL FARM CREDIT BANK	01/29/07	01/22/09	Aaa	AAA	5.010	5.150	2,000,000.00	1,999,845.67	2,005,000.00	5,154.33	
FEDERAL FARM CREDIT BANK	02/01/08	02/01/13	Aaa	AAA	3.790	3.790	2,000,000.00	2,000,000.00	2,030,000.00	30,000.00	Callable 2/01/10, then cont.
FEDERAL HOME LOAN BANK	10/25/06	02/12/10	Aaa	AAA	3.875	5.117	1,000,000.00	987,399.07	1,034,845.00	47,445.93	
FEDERAL HOME LOAN BANK	12/18/06	11/03/09	Aaa	AAA	3.500	4.834	2,000,000.00	1,979,312.27	2,047,190.00	67,877.73	
FEDERAL HOME LOAN BANK	05/22/07	06/10/11	Aaa	AAA	5.250	5.005	2,000,000.00	2,010,670.99	2,190,940.00	180,269.01	
FEDERAL HOME LOAN BANK	07/09/07	02/15/11	Aaa	AAA	4.000	5.308	2,000,000.00	1,950,009.88	2,114,690.00	164,680.12	
FEDERAL HOME LOAN BANK	07/09/07	03/12/10	Aaa	AAA	5.000	5.268	1,000,000.00	996,987.92	1,050,315.00	53,327.08	
FEDERAL HOME LOAN BANK	02/13/08	02/13/13	Aaa	AAA	3.850	4.001	2,000,000.00	2,000,000.00	2,000,620.00	620.00	Continuously callable
FEDERAL HOME LOAN BANK	09/14/06	09/29/10	Aaa	AAA	5.125	5.070	1,000,000.00	1,000,811.44	1,067,970.00	67,158.56	
FEDERAL HOME LOAN BANK	05/21/07	06/12/09	Aaa	AAA	5.250	5.000	2,000,000.00	2,002,081.48	2,043,440.00	41,358.52	
FEDERAL HOME LOAN BANK	04/02/08	04/02/13	Aaa	AAA	4.150	4.150	2,000,000.00	2,000,000.00	2,000,000.00	0.00	Callable 1/02/09, then qtrly
FEDERAL HOME LOAN BANK	04/21/08	10/21/11	Aaa	AAA	3.125	3.125	2,000,000.00	2,000,000.00	2,024,690.00	24,690.00	Callable 7/21/09, once
FEDERAL HOME LOAN BANK	04/22/08	04/22/13	Aaa	AAA	4.000	4.112	2,000,000.00	1,996,916.67	2,010,940.00	14,023.33	Callable 4/22/09, then qtrly
FEDERAL HOME LOAN BANK	05/23/08	06/10/11	Aaa	AAA	3.125	3.520	2,000,000.00	1,981,778.98	2,075,940.00	94,161.02	
FEDERAL HOME LOAN BANK	09/25/08	08/18/09	Aaa	AAA	3.750	3.231	2,000,000.00	2,006,367.24	2,040,940.00	34,572.76	
FEDERAL HOME LOAN BANK	02/17/06	02/17/11	Aaa	AAA	5.020	5.020	2,000,000.00	2,000,000.00	2,010,620.00	10,620.00	Callable 2/17/09, once
FEDERAL HOME LOAN BANK	10/01/08	03/30/09	Aaa	AAA	3.580	3.520	2,000,000.00	2,000,293.35	2,016,260.00	15,966.65	
FEDERAL HOME LOAN BANK	10/18/06	09/11/09	Aaa	AAA	5.250	5.060	1,000,000.00	1,001,176.89	1,031,875.00	30,698.11	
FEDERAL HOME LOAN BANK	11/07/06	10/26/09	Aaa	AAA	5.000	5.000	2,345,000.00	2,344,987.06	2,429,279.30	84,292.24	

CITY OF SANTA BARBARA
Investment Portfolio
December 31, 2008

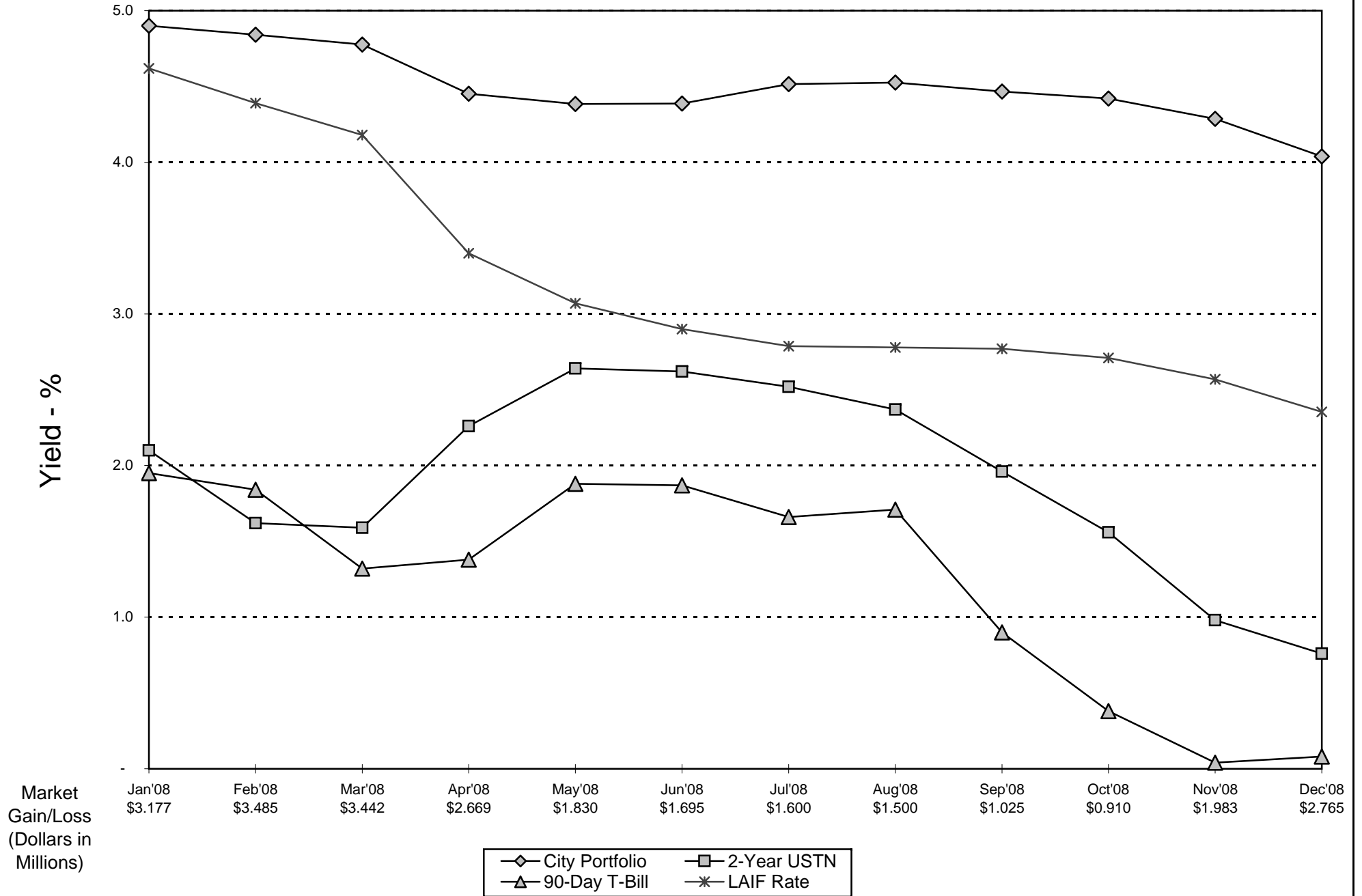
DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S	S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
FEDERAL HOME LOAN BANK	11/08/06	07/30/10	Aaa	AAA	5.000	5.010	2,000,000.00	1,999,643.85	2,127,190.00	127,546.15	
FEDERAL HOME LOAN BANK	12/18/06	06/22/10	Aaa	AAA	4.500	4.825	2,000,000.00	1,991,270.43	2,106,250.00	114,979.57	
FEDERAL HOME LOAN BANK	05/21/07	05/15/09	Aaa	AAA	4.250	5.005	1,450,000.00	1,446,162.98	1,471,300.50	25,137.52	
FEDERAL HOME LOAN BANK	06/18/07	03/12/10	Aaa	AAA	4.875	5.382	2,000,000.00	1,988,786.99	2,098,130.00	109,343.01	
FEDERAL HOME LOAN BANK	05/22/08	05/22/13	Aaa	AAA	4.350	4.350	2,000,000.00	2,000,000.00	2,023,760.00	23,760.00	Callable 05/22/09, then qtrly
FEDERAL HOME LOAN BANK	06/16/08	12/10/10	Aaa	AAA	3.250	3.800	2,000,000.00	1,979,733.69	2,076,560.00	96,826.31	
FEDERAL HOME LOAN BANK	09/25/08	09/25/09	Aaa	AAA	3.250	3.250	2,000,000.00	2,000,000.00	2,039,690.00	39,690.00	
FEDERAL HOME LOAN BANK	10/15/08	07/15/11	Aaa	AAA	4.000	4.002	2,000,000.00	2,000,000.00	2,026,260.00	26,260.00	Callable 7/15/09, once
FEDERAL HOME LOAN MTG CORP	03/26/08	03/26/13	Aaa	AAA	4.200	4.200	2,000,000.00	2,000,000.00	2,002,840.00	2,840.00	Callable 3/26/09, then qtrly
FEDERAL HOME LOAN MTG CORP	04/16/08	04/16/13	Aaa	AAA	4.000	4.000	2,000,000.00	2,000,000.00	2,002,120.00	2,120.00	Callable quarterly
FEDERAL HOME LOAN MTG CORP	09/14/06	09/01/09	Aaa	AAA	4.125	5.070	1,000,000.00	994,212.56	1,021,610.00	27,397.44	
FEDERAL HOME LOAN MTG CORP	05/29/07	07/06/10	Aaa	AAA	4.500	5.070	2,000,000.00	1,984,162.31	2,098,440.00	114,277.69	
FEDERAL HOME LOAN MTG CORP	10/15/07	10/15/12	Aaa	AAA	5.050	5.050	2,000,000.00	2,000,000.00	2,056,780.00	56,780.00	Callable 10/15/09, once
FEDERAL HOME LOAN MTG CORP	04/02/08	04/02/12	Aaa	AAA	3.375	3.375	2,000,000.00	2,000,000.00	2,011,600.00	11,600.00	Callable 4/02/09, once
FEDERAL HOME LOAN MTG CORP	06/04/08	06/04/13	Aaa	AAA	4.550	4.550	5,000,000.00	5,000,000.00	5,028,350.00	28,350.00	Callable quarterly
FEDERAL HOME LOAN MTG CORP	01/29/07	01/25/10	Aaa	AAA	4.375	5.122	2,000,000.00	1,985,396.58	2,067,180.00	81,783.42	
FEDERAL HOME LOAN MTG CORP	04/20/07	04/20/12	Aaa	AAA	5.250	5.250	2,000,000.00	2,000,000.00	2,024,960.00	24,960.00	Callable 4/20/09, once
FEDERAL HOME LOAN MTG CORP	05/22/07	09/17/10	Aaa	AAA	3.880	5.015	2,000,000.00	1,964,565.82	2,089,680.00	125,114.18	
FEDERAL HOME LOAN MTG CORP	01/09/08	01/09/12	Aaa	AAA	4.250	4.250	2,000,000.00	2,000,000.00	2,001,280.00	1,280.00	Callable 1/09/09, then qtrly
FEDERAL NATL MORTGAGE ASSN	04/27/06	04/20/10	Aaa	AAA	4.750	5.270	2,000,000.00	1,987,910.08	2,095,000.00	107,089.92	
FEDERAL NATL MORTGAGE ASSN	01/12/07	02/24/09	Aaa	AAA	3.740	5.000	2,000,000.00	1,996,513.96	2,009,380.00	12,866.04	
FEDERAL NATL MORTGAGE ASSN	04/17/07	03/06/09	Aaa	AAA	4.625	5.001	2,000,000.00	1,998,711.49	2,015,000.00	16,288.51	
FEDERAL NATL MORTGAGE ASSN	03/05/08	03/05/13	Aaa	AAA	4.100	4.100	2,000,000.00	2,000,000.00	2,047,500.00	47,500.00	Callable 3/05/10, once
Subtotal, Federal Agencies							91,795,000.00	91,587,245.80	94,163,614.80	2,576,369.00	
CORPORATE/MEDIUM TERM NOTES											
BERKSHIRE HATHAWAY FIN	01/15/08	01/15/10	Aaa	AAA	4.125	3.630	2,250,000.00	2,261,056.37	2,273,085.00	12,028.63	
GENERAL ELECTRIC CAPITAL CORP	01/10/07	02/22/11	Aaa	AAA	6.125	5.100	2,000,000.00	2,039,080.65	2,070,000.00	30,919.35	
GENERAL ELECTRIC CAPITAL CORP	08/15/06	09/15/09	Aaa	AAA	4.625	5.300	2,000,000.00	1,991,299.93	2,022,580.00	31,280.07	
GENERAL ELECTRIC CAPITAL CORP	02/10/06	06/15/09	Aaa	AAA	4.000	5.000	1,000,000.00	995,845.56	1,001,750.00	5,904.44	
GENERAL ELECTRIC CAPITAL CORP	04/17/07	06/15/09	Aaa	AAA	3.250	5.060	2,000,000.00	1,984,544.37	1,994,900.00	10,355.63	
TOYOTA MOTOR CREDIT	10/19/06	03/15/10	Aaa	AAA	4.250	5.140	2,000,000.00	1,980,508.94	1,998,280.00	17,771.06	
WELLS FARGO & CO.	05/30/07	01/12/11	Aa1	AA	4.875	5.260	2,000,000.00	1,985,862.84	2,000,080.00	14,217.16	
WELLS FARGO & CO.	10/10/06	08/09/10	Aa1	AA	4.625	5.000	2,000,000.00	1,989,110.11	2,009,200.00	20,089.89	
Subtotal, Corporate Securities							15,250,000.00	15,227,308.77	15,369,875.00	142,566.23	
SB AIRPORT PROMISSORY NOTE											
SANTA BARBARA AIRPORT	07/01/08	06/30/09	-	-	6.500	6.500	7,800,000.00	7,800,000.00	7,800,000.00	0.00	

**CITY OF SANTA BARBARA
Investment Portfolio
December 31, 2008**

DESCRIPTION	PURCHASE DATE	MATURITY DATE	QUALITY RATING MOODY'S S & P	STATED RATE	YIELD AT 365	FACE VALUE	BOOK VALUE	MARKET VALUE	BOOK GAIN/(LOSS)	COMMENTS
Subtotal, SBA Note						7,800,000.00	7,800,000.00	7,800,000.00	0.00	
TOTALS						169,445,000.00	169,210,290.35	171,975,599.80	2,765,309.45	

Market values have been obtained from the City's safekeeping agent, Santa Barbara Bank and Trust (SBB&T). SBB&T uses Interactive Data Pricing Service, Bloomberg and DTC.

INVESTMENT YIELDS



CITY OF SANTA BARBARA
Fiscal Agent Investments
December 31, 2008

	CASH & CASH EQUIVALENTS	Guaranteed Investment Contracts (GIC)	STOCKS		BONDS		US GOVT & AGENCIES		TOTALS	
	Book & Market	Book & Market	Book	Market	Book	Market	Book	Market	Book	Market
BOND FUNDS										
RESERVE FUNDS										
2004 RDA - Housing Bonds	205.43	-	-	-	-	-	-	-	205.43	205.43
2002 Municipal Improvement - Refunding COPs	14,170.75	547,530.00	-	-	-	-	-	-	561,700.75	561,700.75
2002 Water - Refunding COPs	24,632.24	1,088,268.76	-	-	-	-	-	-	1,112,901.00	1,112,901.00
1994 Water - Revenue Bonds	20,327.02	757,680.00	-	-	-	-	-	-	778,007.02	778,007.02
2002 Waterfront - Reference COPs	441.48	1,393,262.50	-	-	-	-	-	-	1,393,703.98	1,393,703.98
1992 Seismic - Safety Bonds	88,114.16	-	-	-	-	-	-	-	88,114.16	88,114.16
Subtotal, Reserve Funds	147,891.08	3,786,741.26	-	-	-	-	-	-	3,934,632.34	3,934,632.34
PROJECT FUNDS										
2001 RDA Bonds	3,512,581.99	-	-	-	-	-	-	-	3,512,581.99	3,512,581.99
2003 RDA Bonds	71.92	24,924,593.30	-	-	-	-	-	-	24,924,665.22	24,924,665.22
2004 Sewer Revenue Bonds	4,811,521.54	1,357,140.00	-	-	-	-	-	-	6,168,661.54	6,168,661.54
Subtotal, Project Funds	8,324,175.45	26,281,733.30	-	-	-	-	-	-	34,605,908.75	34,605,908.75
Subtotal Bond Funds	8,472,066.53	30,068,474.56	-	-	-	-	-	-	38,540,541.09	38,540,541.09
POLICE/FIRE - SVC RETIREMENT FUND										
Police/Fire Funds	76,216.72	-	215,947.05	235,802.15	-	-	80,900.00	80,287.60	373,063.77	392,306.47
	76,216.72	-	215,947.05	235,802.15	-	-	80,900.00	80,287.60	373,063.77	392,306.47
TOTAL FISCAL AGENT INVESTMENTS	8,548,283.25	30,068,474.56	215,947.05	235,802.15	-	-	80,900.00	80,287.60	38,913,604.86	38,932,847.56

Notes:

- (1) Cash & cash equivalents include money market funds.
- (2) Market values have been obtained from the following trustees: U S Bank, Bank of New York and Santa Barbara Bank & Trust